

**SOUTH CAROLINA TRANSPORTATION INFRASTRUCTURE BANK
COLUMBIA, SOUTH CAROLINA**

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2000



ROGERS & LABAN, PA

State of South Carolina



Office of the State Auditor

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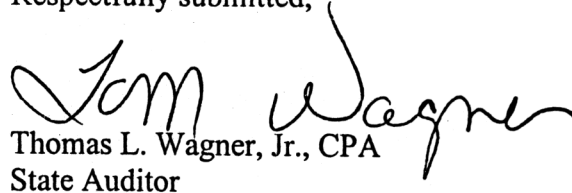
October 1, 2000

The Honorable James H. Hodges, Governor
and
Members of the Board of Directors
South Carolina Transportation Infrastructure Bank
Columbia, South Carolina

This report on the audit of the financial statements of the South Carolina Transportation Infrastructure Bank for the fiscal year ended June 30, 2000, was issued by Rogers & Laban, PA, Certified Public Accountants, under contract with the South Carolina Office of the State Auditor.

If you have any questions regarding this report, please let us know.

Respectfully submitted,


Thomas L. Wagner, Jr., CPA
State Auditor

TLWjr/cwc

**SOUTH CAROLINA TRANSPORTATION INFRASTRUCTURE BANK
COLUMBIA, SOUTH CAROLINA**

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2000

SOUTH CAROLINA TRANSPORTATION INFRASTRUCTURE BANK

**TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2000**

	Page
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS:	
Combined balance sheet – all fund types and account groups	2
Statement of revenues, expenditures and changes in fund balance – all governmental fund types	3
Statement of expenditures – budget and actual – other budgeted funds	4
Notes to financial statements	5 - 20
STATUS OF PRIOR MANAGEMENT LETTER COMMENTS	21



ROGERS & LABAN, PA

CERTIFIED PUBLIC ACCOUNTANTS AND FINANCIAL CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

Mr. Thomas L. Wagner, Jr., CPA,
State Auditor
State of South Carolina
Columbia, South Carolina

We have audited the accompanying financial statements of the South Carolina Transportation Infrastructure Bank (the Bank) as of and for the year ended June 30, 2000 as listed in the table of contents. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the financial statements of the Bank are intended to present the financial position and results of operations of only that portion of the funds and account groups of the State of South Carolina that is attributable to the transactions of the Bank, an agency of the State. These financial statements do not include other agencies, institutions, departments or component units of the State of South Carolina primary government.

As discussed in Note 11, the Bank changed its method of reporting bond issuance cost.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Bank as of June 30, 2000, and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

Rogers & Laban, PA

August 29, 2000



SOUTH CAROLINA TRANSPORTATION INFRASTRUCTURE BANK

**COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2000**

	<u>Governmental Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Account Groups</u>	
	<u>Special Revenue</u>	<u>Agency</u>	<u>General Fixed Assets</u>	<u>General Long-Term Debt</u>
ASSETS AND OTHER DEBITS				
Cash and cash equivalents	\$ 433,701,876	\$ 14,438,205	\$	\$
Intergovernmental loans/receivables:				
State agencies	167,151,892			
County governments	158,040,938	1,974,654		
Accrued interest receivable on deposit	5,438,090			
Fixed assets:				
Furniture and equipment			4,344	
Amount to be provided for retirement of general long-term debt				<u>574,275,000</u>
Total assets	<u><u>\$ 764,332,796</u></u>	<u><u>\$ 16,412,859</u></u>	<u><u>\$ 4,344</u></u>	<u><u>\$ 574,275,000</u></u>
LIABILITIES, FUND EQUITY AND OTHER CREDITS				
LIABILITIES:				
Accounts payable	\$ 17,863,140	\$	\$	\$
Bonds payable				574,275,000
Funds held for others		<u>16,412,859</u>		
Total liabilities	<u><u>17,863,140</u></u>	<u><u>16,412,859</u></u>		<u><u>574,275,000</u></u>
FUND EQUITY AND OTHER CREDITS:				
Investment in general fixed assets			4,344	
Fund balances:				
Reserved for:				
Intergovernmental receivables (long-term):				
State agency	160,077,400			
County government	134,590,938			
Federal loan program	2,550,000			
Debt Service	151,100,177			
Bond funded projects	109,050,097			
Unreserved; undesignated	<u>189,101,044</u>			
Total fund equity and other credits	<u><u>746,469,656</u></u>	<u><u>- 0 -</u></u>	<u><u>4,344</u></u>	<u><u>- 0 -</u></u>
Total liabilities, fund equity and other credits	<u><u>\$ 764,332,796</u></u>	<u><u>\$ 16,412,859</u></u>	<u><u>\$ 4,344</u></u>	<u><u>\$ 574,275,000</u></u>

See accompanying Notes to Financial Statements.

SOUTH CAROLINA TRANSPORTATION INFRASTRUCTURE BANK

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2000**

	<u>Special Revenue</u>
REVENUES:	
Contribution of revenue by the South Carolina Department of Transportation	\$ 22,511,880
Truck registration fees and penalties transferred from South Carolina Department of Public Safety	58,971,143
Contributions from State agency - South Carolina Department of Transportation	119,158,143
Interest/investment income:	
Deposits	23,923,314
Loans and receivables	<u>6,289,885</u>
TOTAL REVENUES	<u>230,854,365</u>
EXPENDITURES:	
General operating	143,651
Grant awards for constructing and improving highway and transportation facilities	164,632,883
Bond issuance costs	3,165,643
Debt service:	
Interest	24,422,760
Principal	<u>9,625,000</u>
TOTAL EXPENDITURES	<u>201,989,937</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>28,864,428</u>
OTHER FINANCING SOURCE:	
Net bond proceeds	<u>310,861,697</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	339,726,125
FUND BALANCE, beginning of year	<u>406,743,531</u>
FUND BALANCE, end of year	<u><u>\$ 746,469,656</u></u>

See accompanying Notes to Financial Statements.

SOUTH CAROLINA TRANSPORTATION INFRASTRUCTURE BANK

**STATEMENT OF EXPENDITURES - BUDGET AND ACTUAL - OTHER BUDGETED FUNDS
FOR THE YEAR ENDED JUNE 30, 2000**

	<u>Legal Basis Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance Favorable (Unfavorable)</u>
Personal services	\$ 46,880	\$ 910	\$ 45,970
Employer contributions	12,300		12,300
Other operating expenses	152,000	142,741	9,259
Special items:			
Transportation infrastructure grant awards and debt service	<u>350,526,260</u>	<u>198,680,643</u>	<u>151,845,617</u>
Totals	<u>\$ 350,737,440</u>	<u>\$ 198,824,294</u>	<u>\$ 151,913,146</u>

See accompanying Notes to Financial Statements.

SOUTH CAROLINA TRANSPORTATION INFRASTRUCTURE BANK

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2000

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Reporting Entity

The South Carolina Transportation Infrastructure Bank (the Bank) was established effective June 26, 1997 to select and assist in financing major qualified projects by providing loans and other financial assistance to government units and private entities for constructing and improving highway and transportation facilities necessary for public purposes including economic development. The enabling statute is Section 11-43-120 of the Code of Laws of South Carolina. The funds and account groups of the Bank are included in the Comprehensive Annual Financial Report of the State of South Carolina.

The Bank is governed by its Board of Directors. The Board consists of seven voting directors as follows: the Chairman of the Department of Transportation Commission, ex officio; one director appointed by the Governor who shall serve as chairman; one director appointed by the Governor; one director appointed by the Speaker of the House of Representatives; one member of the House of Representatives appointed by the Speaker, ex officio; one director appointed by the President Pro Tempore of the Senate; and one member of the Senate appointed by the President Pro Tempore of the Senate, ex officio. Directors appointed by the Governor, the Speaker, and the President Pro Tempore shall serve terms coterminous with those of their appointing authority. The terms for the legislative members are coterminous with their terms of office.

The primary sources of funding of the Bank consist of a specific portion of funds appropriated under Section 11-43-160 of the South Carolina Code of Laws to the South Carolina Department of Transportation for the construction and maintenance of state highways, federal funds, contributions and donations from government units and private entities, State appropriations and truck registration fees and penalties. The Bank is also authorized to issue bonds to finance its activities. Also, the South Carolina Department of Transportation is committed to make contributions over a period of years to partially fund certain projects. Effective July 1, 1999, Section 11-43-160 of the South Carolina Code of Laws provides for an annual contribution of revenues by the South Carolina Department of Transportation to the Bank of an amount not to exceed one cent per gallon of tax collected on gasoline which must be used to match federal capitalization grants to the Bank and to provide capital for the state accounts of the Bank. For fiscal year 1999, fifty percent of the revenues collected for truck registration fees and penalties pursuant to Sections 56-3-660 and 56-3-670 were received by the Bank from South Carolina Department of Public Safety and used to provide capital and for fiscal year 2000 and thereafter the percentage of revenues from those Sections increases to one hundred percent for the Bank..

The core of the financial reporting entity is the primary government, which has a separately elected governing body. As required by generally accepted accounting principles, the financial reporting entity includes both the primary government and all of its component units. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. In turn, component units may have component units. The Bank has determined it has no component units.

An organization other than a primary government may serve as a nucleus for a reporting entity when it issues separate financial statements. That organization is identified herein as a primary entity.

SOUTH CAROLINA TRANSPORTATION INFRASTRUCTURE BANK

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2000

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

The primary government or entity is financially accountable if it appoints a voting majority of the organization's governing body, including situations in which the voting majority consists of the primary entity's officials serving as required by law (e.g., employees who serve in an ex officio capacity on the component unit's board are considered appointments by the primary entity) and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary entity. The primary entity also may be financially accountable if an organization is fiscally dependent on it even if it does not appoint a voting majority of the board. An organization is fiscally dependent on the primary entity that holds one or more of the following powers:

- (1) Determines its budget without another government having the authority to approve and modify that budget;
- (2) Levies taxes or set rates or charges without approval by another government; or,
- (3) Issues bonded debt without approval by another government.

The organization is fiscally independent if it holds all three of those powers. Based on these criteria, the Bank has determined it is not a component of another entity and it has no component units. This financial reporting entity includes only the Bank (a primary entity).

The Bank is granted an annual appropriation for operating purposes as authorized by the South Carolina General Assembly. The appropriation as enacted becomes the legal operating budget for the Bank. The Appropriation Act authorizes expenditures from funds appropriated from the General Fund of the State and authorizes expenditures of total funds. The laws of the State and the policies and procedures specified by the State for State agencies and institutions are applicable to the activities of the Bank. Generally, all State departments, agencies, and colleges are included in the State's reporting entity, which is the primary government of the State of South Carolina. These entities are financially accountable to and fiscally dependent on the State. Although the Bank operates somewhat autonomously, it lacks full corporate powers. In addition, the Governor and/or the General Assembly appoints most of its board members and budgets a significant portion of its funds.

The reporting entity is part of the State of South Carolina primary government unit and is included in the Comprehensive Annual Financial Report of the State of South Carolina. The accompanying financial statements present the financial position and the results of operations of only that portion of the funds of the State of South Carolina that is attributable to the transactions of the Bank and do not include any other funds of the State of South Carolina.

Basis of Presentation and Description of Funds

The financial statements of the Bank are presented in accordance with generally accepted accounting principles applicable to state and local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The Bank uses funds and account groups to report its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

SOUTH CAROLINA TRANSPORTATION INFRASTRUCTURE BANK

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2000

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

A fund is a separate fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with related liabilities and residual equities or balances and changes therein. These accounts are segregated to carry on specific activities or attain certain objectives in accordance with applicable regulations, restrictions, or limitations. Separate accounts are maintained for each fund; however, in the accompanying financial statements, funds that have similar characteristics have been combined into fund types. Accordingly, all financial transactions in the combined statements have been reported by fund type. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

All of the Bank's funds are classified in the governmental fund type category.

Governmental Fund Types

Governmental funds are those through which most governmental functions typically are financed and are used to account for all or most of a government's general activities, including the collection and disbursement of earmarked monies. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used; current liabilities are assigned to the fund from which they are to be paid; the difference between the assets and liabilities is fund balance. The Bank has only one governmental fund type.

Special Revenue Fund - The special revenue fund generally records the expenditure of revenues that are restricted to specific programs or projects. The special revenue fund accounts for grant programs, taxes levied with statutorily defined distributions, and any other resources restricted as to purpose.

The expenditures for constructing and improving highway and transportation facilities for the benefit of government units and private entities are recorded as grant expenditures in the special revenue fund.

Fiduciary Fund Types

Fiduciary funds are used to account for assets held by the Bank in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. The Bank has only one fiduciary fund type.

Agency Funds

Agency funds are purely custodial (assets equal liabilities) and thus do not involve the measurement of the results of operations.

The Loan Servicing Account and the Loan Reserve Account are held for Horry County, South Carolina as debt service security as a condition to an intergovernmental agreement – see section (4) in Note 9 for additional details.

Account Groups

General Fixed Assets Account Group - This group of accounts is established to account for all fixed assets of the Bank.

General Long-Term Debt Account Group - This account group is used to account for the outstanding balance of any unmatured general long-term liabilities that are expected to be financed from governmental funds. These liabilities include bonds payable.

SOUTH CAROLINA TRANSPORTATION INFRASTRUCTURE BANK

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2000

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Significant Accounting Policies

Basis of Accounting

All governmental funds are accounted for using a current financial resources measurement focus whereby only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets.

The modified accrual basis of accounting is utilized for governmental fund types and the Agency funds. Under this method, revenue, including taxes, is recognized when it becomes measurable and available to finance expenditures of the current fiscal year. "Measurable" means that the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay obligations of the current period. The Bank considers revenues available if they are collected within 60 days after year end. Expenditures are recognized when the related fund liability is incurred except for unmatured interest on general long-term debt, which is recognized when due. Payments for insurance and similar services benefiting more than one period are recognized as an expenditure in the year of payment.

Budget Policy

The Bank is granted an annual appropriation for operating purposes by the South Carolina General Assembly. The appropriation as enacted becomes the legal operating budget for the Bank. The Appropriation Act authorizes expenditures from funds appropriated from the General Fund of the State and authorizes expenditures of total funds. The Total Funds column in the Appropriation Act for each individual budgetary unit authorizes expenditures from all budgeted resources. A revenue budget is not adopted for individual budgetary units. The General Assembly enacts the budget through passage of line-item appropriations by program within budgetary unit within budgetary fund category, State General Fund or other budgeted funds. Budgetary control is maintained at the line-item level of the budgetary entity. Agencies may process disbursement vouchers in the State's budgetary accounting system only if enough cash and appropriation authorization exist.

Transfers of funds may be approved by the State Budget and Control Board under its authority or by the agency as set forth in Appropriation Act Proviso 72.14 as follows: Agencies shall be authorized to transfer appropriations within programs and within the agency with notification to the Division of Budget and Analyses and the State Comptroller General. No such transfer may exceed twenty percent of the program budget. Transfers from personal services accounts or from other operating accounts may be restricted to any level set by the Board.

During the fiscal year-end closeout period in July, agencies may continue to charge vendor, interagency, and interfund payments for the fiscal year to that fiscal year's appropriations. Any unexpended State General Fund monies as of June 30 automatically lapse to the General Fund of the State on July 31 unless authorization is received from the General Assembly to carry over the funds to the ensuing fiscal year. State law does not require the use of encumbrance accounting.

State law does not precisely define the budgetary basis of accounting. The current Appropriation Act states that the General Assembly intends to appropriate all State funds and to authorize and/or appropriate the use of all other monies to operate State government for the current fiscal year. The State's annual budget is prepared primarily on the modified accrual basis of accounting. Because the

SOUTH CAROLINA TRANSPORTATION INFRASTRUCTURE BANK

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2000

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

legally prescribed budgetary basis differs materially from generally accepted accounting principles (GAAP), actual amounts in the accompanying budgetary comparison statement are presented on the budgetary basis. A reconciliation of the differences between the budgetary basis and generally accepted accounting principles basis is presented in Note 10.

The Statement of Expenditures – Budget and Actual – Other Budgeted Funds presents actual expenditures on the budgetary basis of accounting compared to the legally adopted and modified budget on a line item expenditure basis. The level of legal control for each agency is reported in a publication of the State Comptroller General's Office titled "A Detailed Report of Appropriations and Expenditures" for each fiscal year.

Cash and Cash Equivalents

The amounts shown in the financial statements as "cash and cash equivalents" represent cash on deposit with the State Treasurer and cash invested in various instruments by the State Treasurer as part of the State's internal cash management pool.

Most State agencies including the Bank participate in the State's internal cash management pool. Because the cash management pool operates as a demand deposit account, amounts invested in the pool are classified as cash and cash equivalents. The State Treasurer administers the cash management pool. The pool includes some long-term investments such as obligations of the United States and certain agencies of the United States, obligations of the State of South Carolina and certain of its political subdivisions, certificates of deposit, collateralized repurchase agreements, and certain corporate bonds.

The State's internal cash management pool consists of a general deposit account and several special deposit accounts. The State records each fund's equity interest in the general deposit account; however, all earnings on that account are credited to the General Fund of the State. The Bank records and reports its deposits in the general deposit accounts at cost, and records and reports its deposits in the special deposit accounts at fair value. Investments held by the pool are recorded at fair value. Interest earned by the Bank's special deposit accounts is posted to the Bank's account at the end of each month and is retained. Interest earnings are allocated based on the percentage of the Bank's accumulated daily interest receivable to the total income receivable of the pool. Reported income includes interest earnings at the stated rate, realized gains/losses, and unrealized gains/losses arising from changes in the fair value on investments held by the pool. Realized gains and losses are allocated daily and are included in the accumulated income receivable. Unrealized gains and losses are allocated at year-end based on the percentage ownership in the pool.

For credit risk information pertaining to the State's internal cash management pool, see the deposits disclosures in Note 2.

Some State Treasurer accounts are not included in the State's internal cash management pool because of restrictions on the use of the funds. For those accounts, cash equivalents include investments in short-term highly liquid securities having an initial maturity of three months or less at the time of acquisition. At year end, the Bank held no short-term investments.

SOUTH CAROLINA TRANSPORTATION INFRASTRUCTURE BANK

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2000

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Fixed Assets

General fixed assets are recorded as expenditures from the applicable governmental fund and are capitalized at cost in the general fixed assets account group. Fixed assets are not depreciated in accordance with generally accepted accounting principles for governmental entities. Equipment costing more than \$500 and having a useful life of more than one year is capitalized. Donated fixed assets are recorded at estimated fair value at the time of acquisition.

Bonds Payable

The Bank records its bonds payable in the general long term debt account group. Bond premiums and discounts, as well as issuance cost, are recognized in the current period. Bond proceeds are reported as other financing sources in the special revenue fund net of applicable issuance premiums or discount. Issuance cost, where or not withheld for the actual net proceeds, are reported as expenditures in the special revenue fund.

Fund Equity

In accordance with governmental accounting standards, the portions of fund balances, including reservations for long-term receivables that are not available for appropriation and expenditure and/or are legally segregated for a specific use, are presented as reserved at year end. Designated fund balances represent tentative plans for future use of financial resources. The remainder of the fund balance is reported as unreserved, undesignated.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2. DEPOSITS:

All deposits of the Bank are under the control of the State Treasurer who, by law, has sole authority for investing State funds.

The following schedule reconciles deposits within the footnotes to the balance sheet amounts:

<u>Balance Sheet</u>		<u>Footnotes</u>	
Cash and Cash		Deposits Held by	
Equivalents		State Treasurer	
	<u>\$ 448,140,081</u>		<u>\$ 448,140,081</u>

Deposits Held by State Treasurer

State law requires full collateralization of all State Treasurer bank balances. The State Treasurer must correct any deficiencies in collateral within seven days.

With respect to investments in the State's internal cash management pool, all of the State Treasurer's investments are insured or registered or are investments for which the securities are held by the State or its agent in the State's name. Information pertaining to reported amounts, fair values, and credit risk of the State Treasurer's investments is disclosed in the Comprehensive Annual Financial Report of the State of South Carolina.

SOUTH CAROLINA TRANSPORTATION INFRASTRUCTURE BANK

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2000

NOTE 2. DEPOSITS (CONTINUED):

Cash and cash equivalents reported on the balance sheet include \$4,276,851 in unrealized depreciation as of June 30, 2000 arising from changes/decline in the fair value of investments. The interest/investment income reported in the statement of revenues, expenditures and changes in fund balance include an unrealized depreciation loss of \$4,348,764 for the year ended June 30, 2000.

Deposits at June 30, 2000 held by the State Treasurer include \$109,050,097 of unexpended funds related to the Series 1999A bond issue which are to be used for projects in progress (see Note 9) and \$2,550,000 in Federal funds that are restricted for use for a loan on any project that is eligible for Federal funding. Also, see note 5.

NOTE 3. RECEIVABLES:

INTERGOVERNMENTAL RECEIVABLES – STATE AGENCIES

The Bank entered into an intergovernmental agreement on March 10, 1998 with Horry County (County) and the South Carolina Department of Transportation (Transportation) to fund \$545,000,000 in project costs for Phase I of the Conway By-Pass. The agreement provides that Transportation will contribute \$114,000,000 of the project costs, that the Bank will make an interest free loan to the County in the amount of \$300,000,000 to be used for project costs as incurred and that the Bank will make grants to the County for the remaining \$131,000,000 as expenditures are incurred. The agreement was amended on April 27, 1999 to provide \$95,000,000 in funds for Phase II of the Conway By-Pass. This funding will be contributed by Transportation. See Note 9 for the payment schedule for these contributions by Transportation. Each fiscal year the Bank records contributions revenue equal to the project expenditures in the fiscal year and grant award expenditures applicable to Transportation's share of the project costs funded and/or to be funded by Transportation's contributions. A contribution receivable is recorded to the extent Transportation's share of the costs incurred are in excess of contributions received as of each year. A summary of changes in the contributions receivable from Transportation for the fiscal year ended June 30, 2000 is as follows:

	Balances 6/30/99	Current Expenditures	Contributions Received	Balances 6/30/00
Conway By-Pass				
Phase I	\$ 40,566,794	\$ 53,433,206	\$ 10,000,000	\$ 84,000,000
Phase II	12,172,022	65,724,937	1,819,559	76,077,400
Totals	<u>\$ 52,738,816</u>	<u>\$ 119,158,143</u>	<u>\$ 11,819,559</u>	<u>\$ 160,077,400</u>

Due to the long term nature of the \$160,077,400 in contributions receivable, the entire balance has been offset by an equal reservation of fund balance to reflect that they are not available to pay current expenditures.

The intergovernmental receivables amount from State agencies also includes \$6,502,612 for truck registration fees and penalties collected by the South Carolina Department of Public Safety and \$511,880 for the fiscal year 2000 balance of the revenues due from the South Carolina Department of Transportation for the Bank as of June 30, 2000. The Bank received these funds in July, 2000.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2000

NOTE 3. RECEIVABLES (CONTINUED):**INTERGOVERNMENTAL LOANS – COUNTY GOVERNMENTS**

The Bank has entered into intergovernmental agreements with various local governments for all or partial funding with loans for certain permanent highway and road improvement projects. The loan balances as of June 30, 2000 are as follows:

<u>Local Government/Terms</u>	<u>Balances</u>
Horry County – Conway By-Pass	\$ 141,493,060
Horry County – Ride Project (Table I and III projects)	12,147,878
York County – Metropolitan Road Corridors Non-interest bearing loan in the original amount of \$6,600,000; payable in three annual installments of \$2,200,000 each on July 1, 1999, 2000 and 2001	<u>4,400,000</u>
Total	<u>\$ 158,040,938</u>

See Note 9 for details of the above loans.

Due to the long term nature of the loans receivable at June 30, 2000, \$134,590,938 has been offset as a reservation of fund balance to reflect that portion of the receivables that is not currently available to pay current expenditures.

INTERGOVERNMENTAL RECEIVABLE – COUNTY GOVERNMENT

The Intergovernmental Agreement entered into March 10, 1998 with Horry County and the South Carolina Department of Transportation and referred to on the prior page provides that Transportation shall be paid a project management fee of \$3,000,000 in thirty-six (36) equal monthly installments commencing with the execution of the loan agreement. During the current fiscal year, the Bank paid Transportation \$1,500,000 on behalf of Horry County which was included in current year project expenditures (\$1,000,000 for fiscal year 2000 and \$500,000 to liquidate the June 30, 1999 payable). \$2,250,000 has been paid through June 30, 2000.

NOTE 4. FIXED ASSETS:

The following is a summary of changes in the General Fixed Assets Account Group during the fiscal year:

	<u>Furniture and Equipment</u>
Balance, June 30, 1999	\$ 4,344
Additions	<u>0</u>
Balance, June 30, 2000	<u>\$ 4,344</u>

SOUTH CAROLINA TRANSPORTATION INFRASTRUCTURE BANK

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2000

NOTE 5. GENERAL LONG-TERM DEBT:

A summary of changes in general long-term debt for the year ended June 30, 2000 is as follows:

	Bonds Payable
Balances, beginning of year	\$ 275,000,000
Increases	308,900,000
Decreases	(9,625,000)
Balances, end of year	<u>\$ 574,275,000</u>

A summary of the bonds payable as of June 30, 2000 is as follows:

Issue Date	Series	Original Face Amount	Final Maturity Date	Interest Rate(%)	Unpaid Principal Balance
October 21, 1998	1998A	\$275,000,000	10/01/17	4.00 – 6.00	\$265,375,000
July 27, 1999	1999A	308,900,000	10/01/24	5.00 – 5.50	<u>308,900,000</u>
Total					<u>\$574,275,000</u>

On July 27, 1999 the Bank issued \$308,900,000 in bonds (Series 1999A). The net bonds proceeds consist of the following:

Face amount of bonds	\$308,900,000
Original issue premium	<u>1,961,697</u>
Net bond proceeds	<u>\$310,861,697</u>

Issuance cost for the Series 1999A bonds consist of the following:

Underwriters discount	\$ 1,005,470
Guaranty insurance premium	1,653,500
Issuance costs	<u>506,673</u>
Total Issuance costs	<u>\$ 3,165,643</u>

The primary purpose of the 1999A bonds was to fund portions of the Horry County Ride Project, the Beaufort County Project, the Upstate Grid Project and the York County Project. \$109,050,097 of the 1999A bond proceeds had not been disbursed for project costs at June 30, 2000. Also, see Note 9 for additional details.

Annual payments of principal and interest are due on the bonds outstanding and are being paid semiannually. Details of annual debt service, including interest, for each year are as follows:

Year ending June 30,	Principal	Interest	Totals
2001	\$ 10,510,000	\$ 29,335,629	\$ 39,845,629
2002	10,865,000	28,760,066	39,625,066
2003	13,755,000	28,090,241	41,845,241
2004	14,970,000	27,372,116	42,342,116
2005	16,220,000	26,592,366	42,812,366
Thereafter	507,955,000	256,625,313	764,580,313
Total debt service obligations	<u>\$ 574,275,000</u>	<u>\$ 396,775,731</u>	<u>\$ 971,050,731</u>

SOUTH CAROLINA TRANSPORTATION INFRASTRUCTURE BANK

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2000

NOTE 5. GENERAL LONG-TERM DEBT (CONTINUED):

Interest expenditures for the fiscal year ended June 30, 2000 were \$24,422,760. The total interest payments of \$25,623,014 include \$1,200,254 of accrued interest that was received at the time of sale of the 1999A bonds.

The payment of the principal and interest on both of the bonds outstanding is secured by liens on and pledges of certain of the Bank's revenues. Pledged revenues are defined as all payments payable to the Bank pursuant to any agreement between the Bank and the United States government, the State, any county, municipality, political subdivision, public body or their government entity or under any law, statute, ordinance, resolution or other authorizing instrument. The master revenue bond resolution requires the establishment and maintenance of various debt service bank accounts. Funds on deposit for this purpose at June 30, 2000 for each bond issue is as follows:

1998A	\$ 69,907,168
1999A	<u>81,193,009</u>
Total	<u>\$ 151,100,177</u>

The Series 1998A bonds maturing on or after October 1, 2009 are redeemable at the option of the Bank on and after October 1, 2008, in whole or in part at any time in any order of maturity to be determined by the Bank by payment of the respective redemption prices, expressed as percentages set forth below of the principal amount of the bonds to be redeemed together with accrued interest to the redemption date:

Redemption Period (both dates inclusive)	Redemption Price
October 1, 2008 through September 30, 2009	101%
October 1, 2009 and thereafter	100%

The Series 1999A Bonds maturing on or after October 1, 2010 are redeemable at the option of the Bank on and after October 1, 2009 in whole or in part at any time in any order of maturity to be determined by the Bank by payment of the respective redemption prices, expressed as percentages of the principal amount of the Series 1999A Bonds to be redeemed together with accrued interest to the redemption date:

Redemption Period (both dates inclusive)	Redemption Price
October 1, 2009 through September 30, 2010	101%
October 1, 2010 and thereafter	100%

These bonds are not backed by the full faith, credit and taxing powers of the State of South Carolina.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2000

NOTE 6. AGENCY FUNDS

The changes in assets and liabilities for the agency funds are as follows:

	Balances 6/30/99	Additions	Deductions	Balances 6/30/00
<u>Horry County Loan Servicing</u>				
Cash and cash equivalents	\$ -0-	\$ 30,632,848	\$ 29,028,681 ⁽¹⁾	\$ 1,604,167
Intergovernmental receivable - County government	\$ -0-	\$ 22,578,821	\$ 20,604,167	\$ 1,974,654
Funds held for others	\$ -0-	\$ 22,578,821	\$ 19,000,000 ⁽¹⁾	\$ 3,578,821
<u>Horry County Loan Reserve</u>				
Cash and cash equivalents	\$ -0-	\$ 14,455,038 ⁽¹⁾	\$ 1,621,000 ⁽²⁾	\$ 12,834,038
Intergovernmental receivable - County government	\$ -0-	\$ 14,456,038	\$ 14,456,038	\$ -0-
Funds held for others	\$ -0-	\$ 14,455,038 ⁽¹⁾	\$ 1,621,000	\$ 12,834,038
<u>Totals</u>				
Cash and cash equivalents	\$ -0-	\$ 45,087,886	\$ 30,649,681	\$ 14,438,205
Intergovernmental receivable - County government	\$ -0-	\$ 37,034,859	\$ 35,060,205	\$ 1,974,654
Funds held for others	\$ -0-	\$ 37,033,859	\$ 20,621,000	\$ 16,412,859

⁽¹⁾ Includes a \$10,028,681 transfer from the Loan Servicing fund to the Loan Reserve fund for additions to Loan Reserve fund deposited in the Loan Servicing fund in error.

⁽²⁾ Municipal bond insurance premium for coverage purchased by County to insure the payment of the loans under the intergovernmental agreement.

NOTE 7. TRANSACTIONS WITH STATE ENTITIES:

The Bank has significant transactions with the State of South Carolina and various State agencies.

Services received at no cost from State agencies include maintenance of certain records by the Comptroller General; check preparation, banking, bond trustee and investment services from the State Treasurer; and legal services from the Attorney General. Other services received at no cost from various divisions of the State Budget and Control Board include: insurance plans administration, procurement services, audit services, assistance in the preparation of the State Budget, review and approval of certain budget amendments, and other centralized functions.

The Bank had financial transactions with various State agencies during the fiscal year. Payments were made to divisions of the State Budget and Control Board for telephone and insurance plans premiums.

Payments were also made to other agencies for workers' compensation coverage for per diem employees. The amounts of expenditures applicable to these transactions are not readily available.

SOUTH CAROLINA TRANSPORTATION INFRASTRUCTURE BANK

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2000**

NOTE 7. TRANSACTIONS WITH STATE ENTITIES (CONTINUED):

The South Carolina Department of Transportation provided the Bank certain administrative services and clerical assistance during the fiscal year 2000 for which no consideration will be paid.

The Bank provided no services free of charge to other State agencies during the fiscal year.

The Bank recorded \$22,511,880 as a contribution of revenues from the South Carolina Department of Transportation during fiscal year 2000 which represented an amount not to exceed the one cent per gallon tax collected on gasoline in accordance with Section 11-43-160 of the South Carolina Code of Laws for the construction and maintenance of highways.

The Bank recorded revenues from the South Carolina Department of Public Safety \$58,971,143 during fiscal year 2000 which represented truck registration fees and penalties.

Also, see Note 3 regarding receivables.

NOTE 8. RISK MANAGEMENT:

The Bank is exposed to various risks of loss including theft of, damage to, or destruction of assets, general torts, and board member breach, theft or misappropriation but does not maintain any State or commercial insurance coverage for those risks except for non-owned motor vehicles and general torts. The bank did not incur any losses during the year.

The Bank and other entities pay premiums to the State's Insurance Reserve Fund (IRF) which issues policies, accumulates assets to cover the risks of loss, and pays claims incurred for covered losses related to the following assets, activities and/or events:

1. Motor vehicles (non-owned); and
2. Torts

The IRF is a self-insurer and purchases reinsurance to obtain certain services and specialized coverage and to limit losses in the areas of certain property and equipment and auto liability. Reinsurance permits partial recovery of losses from reinsurers, but the IRF remains primarily liable. The IRF's rates are determined actuarially.

The Department has not transferred the risk of loss for employee theft or misappropriation of assets and the portion of the risks of loss related to insurance policy deductibles for non-owned motor vehicles and torts to a State or commercial insurer. The Bank has not reported an estimated claims loss expenditure, and the related liability at June 30, 2000, based on the requirements of GASB Statements No. 10 and No. 30 which state that liability for claims must be reported only if information prior to issuance of the financial statements indicates that it is probable that an asset has been impaired or a liability has been incurred on or before June 30, 2000 and the amount of the loss is reasonably estimable. Liabilities include an amount for incurred but not reported (IBNR) losses when it is probable a claim will be asserted. Claims liabilities when recorded are based on estimates of the ultimate cost of settling known but not paid claims and IBNR claims at June 30 using past experience adjusted for factors that would modify past experience.

In management's opinion, claims losses in excess of insurance coverage are unlikely and, if incurred, would be insignificant to the Bank's financial position. Furthermore, there is no evidence of asset impairment or other information to indicate that a loss expenditure and liability should be recorded, and, therefore, no loss accrual has been recorded.

The Bank has recorded insurance premium expenditure in the general operating expenditures category

SOUTH CAROLINA TRANSPORTATION INFRASTRUCTURE BANK

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2000**

NOTE 9. COMMITMENTS AND SUBSEQUENT EVENT:

INTERGOVERNMENTAL AGREEMENTS

The Bank has entered into intergovernmental agreements with various local governments for all or partial funding with loans and other financial assistance for certain highway and transportation facilities projects. A listing loan and other financial assistance commitments and their status as of June 30, 2000 follows. See pages 18 - 19 for explanation of references (1) - (5).

Local Government/ Project Description/ Terms of Loans	Loans				Other Financial Assistance			
	Loan Commitment	Current	Prior	Loan Balance 6/30/00	Award	Expenditures		Contribution Receivable Balances 6/30/00
						Current	Prior	
Horry County								
Conway By-Pass, Phase I (1) and (4)	\$ 300,000,000	\$	\$	\$	\$ 245,000,000	\$	\$	\$
Advances/grant award payments	(186,493,060)	92,296,103	94,196,957	186,493,060	(119,911,377)	59,344,583	60,566,794	114,000,000 (A)(B)
Less loan payments/contributions received		(18,750,000)	(26,250,000)	(45,000,000)		(10,000,000)	(20,000,000)	(30,000,000)
Unpaid balances, 6/30/00		73,546,103	67,946,957	141,493,060		49,344,583	40,566,794	84,000,000
Undrawn balances, 6/30/00	113,506,940				125,088,623			
Horry County								
Conway By-Pass, Phase II, (2)					95,000,000			
Advances/grant award payments					(77,896,959)	65,724,937	12,172,022	77,896,959 (B)
Less, contributions received						(1,819,559)		(1,819,559)
Unpaid balances, 6/30/00						63,905,378	12,172,022	76,077,400
Undrawn balance, 6/30/00					17,103,041			
					(A) Limited to \$114,000,000			
					(B) Total contributions realized \$191,896,959			
Horry County								
Ride Project (Table I and Table								
III projects), (3) and (4)	247,577,664							
Advances	(15,638,434)	10,899,119	4,739,315	15,638,434				
Less loan payments		(3,490,556)		(3,490,556)				
Unpaid balances, 6/30/00		7,408,563	4,739,315	12,147,878				
Undrawn balance, 6/30/00	231,939,230							
York County								
Improvement of Metropolitan Road Corridors (5)	6,600,000	0	6,600,000	6,600,000	130,000,000			
Advances/grant award payments	(6,600,000)				(38,349,391)	27,506,446	10,842,945	
Less loan payments		(2,200,000)		(2,200,000)				
Unpaid balance, 6/30/00		(2,200,000)	6,600,000	4,400,000				
Undrawn balance, 6/30/00	0				91,650,609			
Counties for the GRID Program								
(Anderson, Spartanburg and								
Greenville) Upstate GRID Project					350,000,000			
Advances/grant award payments					(12,470,454)	12,056,917	353,537	
Undrawn balance, 6/30/00					337,529,546			
Beaufort County								
Route 170 Improvement					86,500,000			
Total project and project expenditures	\$ 345,446,170	\$ 103,195,222	\$ 105,536,272	\$ 206,531,494	\$ 657,871,819	\$ 164,632,833	\$ 83,935,298	
Add, repayments								
Total Expenditures								

SOUTH CAROLINA TRANSPORTATION INFRASTRUCTURE BANK

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2000

NOTE 9. COMMITMENTS AND SUBSEQUENT EVENT (CONTINUED):

INTERGOVERNMENTAL AGREEMENTS (CONTINUED):

(1) The Bank entered into an intergovernmental agreement on March 10, 1999 with Horry County to loan the County \$300,000,000 with no interest and provide other financial assistance of \$245,000,000.

The \$300,000,000 loan payment schedule provides for payments of \$15,000,000 to be paid on July 1, 1998 and \$3,750,000 quarterly thereafter beginning October 1, 1998. \$45,000,000 has been paid through June 30, 2000 (including the payment due July 1, 2000 which was received during June, 2000).

The South Carolina Department of Transportation (Transportation) was a party to the intergovernmental agreement and agreed to contribute \$114,000,000 of the \$245,000,000 award. The \$114,000,000 is payable to the Bank \$10,000,000 each fiscal year for 11 years and the \$4,000,000 in the 12th fiscal year. \$30,000,000 has been paid through June 30, 2000. A contribution receivable of \$84,000,000 has been recognized to the extent Transportation's share of the project costs exceeded the contribution payments by Transportation to the Bank. See Note 3.

(2) The intergovernmental agreement referred to above was amended April 27, 1999 and provided for the South Carolina Department of Transportation (Transportation) to contribute \$95,000,000 to fund the award to Horry County by the Bank. It is payable \$7,600,000 each fiscal year beginning with fiscal year 2000 and continuing for 20 fiscal years including a 5% interest per annum. The payment of \$7,600,000 received from Transportation during the current fiscal year included \$1,819,559 of principal and \$5,780,441 of interest. A contribution receivable of \$76,077,400 has been recognized to the extent Transportation's share of the project costs exceeded the contribution payments by Transportation to the Bank.

(3) The intergovernmental agreement with Horry County was amended April 27, 1999 to provide for a \$247,577,664 loan to provide funding for the RIDE Plan Table I and III projects. The availability of draws against the loan amount is limited to certain agreed amounts over the fiscal years ending June 30, 1999 – 2005. The revenues from the 1.5 percent hospitality fee after payments to the Bank on the above described \$300,000,000 loan are pledged to secure the payment of this loan. The agreed payments to be made total \$348,690,172 and are to be made in scheduled amounts quarterly beginning September 30, 1999 through June 30, 2017. The payments include an annual interest rate of approximately 5%. The payment of \$4,000,000 received by the Bank from Horry County included \$3,490,556 of principal and \$509,444 of interest.

(4) As required by the April 1999 amendment to the intergovernmental agreement and as a condition to the \$247,577,664 loan for the Ride Project and the previously made \$300,000,000 loan, Horry County was required to establish a Loan Reserve Account with the Bank transferring the entire balance it was holding in its Road Special Revenue Fund and is required to transfer for deposit all future receipts of the 1.5% Road Special Revenue Fund portion of the Hospitality Fee into a Loan Servicing account. The Bank will make transfers from the Loan Servicing account for the scheduled loan payments for the \$300,000,000 loan and the \$247,577,664 loan. Unspent funds in the Loan Servicing Account are to be transferred to the Loan Reserve Account as of each year end.

SOUTH CAROLINA TRANSPORTATION INFRASTRUCTURE BANK

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2000**

NOTE 9. COMMITMENTS AND SUBSEQUENT EVENT: (CONTINUED)

INTERGOVERNMENTAL AGREEMENTS (CONTINUED):

(5) An intergovernmental agreement was entered into with York County on January 4, 1999 to provide funding for the Metropolitan Road Corridors project. The funding consist of a \$6,600,000 loan which is being repaid in annual installments of \$2,200,000 and a \$130,000,000 financial assistance award.

(6) As quarterly payments become due, if the balance of the Loan Servicing Account is not sufficient to make the loan payments, the Bank will cause the State Treasurer to pay the deficiency from the balance in the Loan Reserve Account, if any. If the combined balances of the Loan Servicing Account and the Loan Reserve Account are not sufficient to make the scheduled loan payments, the Bank shall have the option, in its sole discretion, of instructing the State Treasurer, pursuant to section 11-43-210 of the South Carolina Code of Laws, to withhold and pay over the amount due from other funds held by the State and allotted or appropriated to Horry County or utilize those remedies provided by paragraph 4.2 of the Series 1999A Master Loan Agreement.

Upon the expiration or earlier termination of this Agreement, the balance of the Loan Reserve Account, if any, after satisfying all remaining payments due on outstanding agreements or loans, shall be paid to Horry County.

The cash balances held by the State Treasurer at June 30, 2000 are as follows

Loan Servicing Account	\$ 1,604,167
Loan Reserve Account	<u>12,834,038</u>
	<u>\$ 14,438,205</u>

(7) On July 1, 1998, the Board of Directors of the Bank approved applications for the following projects:

Project	Bank's Estimated Share of Cost
Charleston County – Replacement of the Cooper River Bridges	\$ 312,000,000
Lexington County – Widening of Lake Murray Dam and portion of SC60 and SC6	<u>48,000,000</u>
Total	<u>\$ 360,000,000</u>

No intergovernmental agreements have been entered into regarding these two projects

OTHER MATTERS/SUBSEQUENT EVENT

During the fiscal year ended June 30, 1998 and 1999, the Joint Bond Review Committee of the State of South Carolina reviewed and approved the issuance of \$1,963,346,342 of Bank General Obligation and/or Revenue Bonds. \$275,000,000 in bonds were issued on October 21, 1998, \$308,900,000 were

SOUTH CAROLINA TRANSPORTATION INFRASTRUCTURE BANK

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2000

NOTE 9. COMMITMENTS AND SUBSEQUENT EVENT (CONTINUED):

OTHER MATTERS/SUBSEQUENT EVENT (CONTINUED):

issued July 27, 1999 and on June 30, 2000 the Board of Directors of the Bank approved an additional bond issue in an amount not to exceed \$325,000,000 which is expected to be issued in October, 2000. The purpose of the bonds are to partially fund existing project commitments.

NOTE 10. BUDGETARY REPORTING BASIS:

The financial statements prepared on the legally enacted basis differ from the generally accepted accounting principles (GAAP) statements. The statement of expenditures – budget and actual – other budgeted funds presents the legal basis budget which was enacted.

Adjustments of the GAAP basis of accounting to the budgetary basis of accounting consist primarily of reclassification from financial statement fund types to budgetary fund categories and adjustments for unbudgeted items. The following schedule reconciles the differences.

	Special Revenue	Other Budgeted Funds
Expenditures on GAAP Basis	\$ 201,989,937	
Fund reclassification:		
Grant awards for constructing and improving highway and transportation facilities	(164,632,883)	\$ 164,632,883
Debt service	(34,047,760)	34,047,760
Other	(143,651)	143,651
Non-budgeted:		
Bond issuance costs	<u>(3,165,643)</u>	
	<u>\$ - 0 -</u>	<u>\$ 198,824,294</u>

NOTE 11. CHANGE IN ACCOUNTING PRINCIPLE

The Bank changed its method of reporting bond issuance costs from a reduction of net bond proceeds which are reported as "other financing sources" to an expenditure titled bond issuance costs. The change affected the previously reported amounts for the year ended June 30, 1999:

	As Previously Reported	Increase (Decrease)	As Restated
Other financing sources:			
Net bond proceeds	<u>\$285,067,943</u>	<u>\$ 1,640,786</u>	<u>\$ 286,708,729</u>
Expenditures:			
Bond issuance costs	<u>\$ -0-</u>	<u>\$ 1,640,786</u>	<u>\$ 1,640,786</u>

SOUTH CAROLINA TRANSPORTATION INFRASTRUCTURE BANK

STATUS OF PRIOR MANAGEMENT LETTER COMMENTS

JUNE 30, 2000

We performed an audit similar in scope for the year ended June 30, 1999 and our report thereon was dated October 1, 1999. The report contained one material reportable weakness and one other weakness. The weaknesses have been corrected.